

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 518

SPONSOR: Commerce, Economic Opportunities, and Consumer Services Committee and Senators Constantine and Dockery

SUBJECT: Economic Development Incentives

DATE: March 18, 2004 REVISED: 03/23/04 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Kruse</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
2.	<u>Cooper</u>	<u>Yeatman</u>	<u>CP</u>	<u>Fav/2 amendments</u>
3.	_____	_____	<u>FT</u>	_____
4.	_____	_____	<u>ATD</u>	_____
5.	_____	_____	<u>AP</u>	_____
6.	_____	_____	_____	_____

I. Summary:

The committee substitute provides that 50 percent of the sales tax collections generated by the use and operations of an eligible convention center will be remitted back to the unit of local government owning the convention center. The committee substitute prescribes the convention center standard services that are eligible for the sales tax rebate. Distributions may not exceed \$2 million per state fiscal year for each eligible local government and may not exceed \$10 million in the aggregate per state fiscal year. Such distributions are required to begin 60 days following certification and may not continue for longer than 30 years. The criteria for eligibility are delineated in newly created s. 288.1171, F.S. The Governor's Office of Tourism, Trade, and Economic Development is responsible for screening and certifying eligible convention centers. Tax proceeds are required to be used to encourage and provide economic development for the attraction, recruitment, and retention of corporate headquarters and of high-technology, manufacturing, research-and-development, entertainment, and tourism industries, and must be used pursuant to a resolution adopted by the governing board of the unit of local government.

This committee substitute substantially amends section 212.20, Florida Statutes, and creates section 288.1171, Florida Statutes.

II. Present Situation:

Economic Development Incentives

Several incentive programs are available to attract, recruit, and retain businesses in Florida. The majority of the programs are coordinated and administered by the Office of Tourism, Trade, and Economic Development (OTTED) and Enterprise Florida, Inc. Enterprise Florida has overall

responsibility for the retention and recruitment of businesses to the state. The Legislature has expressed its intent in s. 288.90151(2), F.S., for Enterprise Florida to work with local economic development entities to maximize the state and local return-on-investment to create jobs for Floridians.

Examples of Business Development Incentives

The Qualified Targeted Industry (QTI) Tax Refund Program is one of the state's key economic development incentives. The QTI program encourages quality job growth in targeted high-wage, value-added businesses. Approved businesses receive refunds on taxes paid (corporate income, sales, and certain other taxes) for creating new jobs in specified industry categories.¹ This program defines a "target industry business" as a corporate headquarters business or any business that is engaged in one of the target industries identified pursuant to the following criteria developed by OTTED in consultation with Enterprise Florida:

- Future growth. – Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data. Special consideration should be given to Florida's growing access to international markets or to replacing imports.
- Stability. – The industry should not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather. The industry should also be relatively resistant to recession, so that the demand for products of this industry is not necessarily subject to decline during an economic downturn.
- High wage. – The industry should pay relatively high wages compared to statewide or area averages.
- Market and resource independent. – The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis.
- Industrial base diversification and strengthening. – The industry should contribute toward expanding or diversifying the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis.
- Economic benefits. – The industry should have strong positive impacts on or benefits to the state and regional economies.²

The High-Impact Performance Incentive (HIPI) Grant is an incentive used to attract and grow high-impact facilities.³ To qualify, a business must make a cumulative investment in the state of at least \$100 million and create at least 100 new full-time equivalent jobs in the state. If the business is a research and development facility, it must make a cumulative investment of at least \$75 million and create at least 75 new full-time equivalent jobs. The investment and employment targets must be achieved within three years after the date the business is certified as a qualified

¹ Section 288.106, F.S.

² Section 288.106(1)(o), F.S.

³ Section 288.108, F.S.

high-impact business.⁴ The QTI and HIPI programs apply to high technology and manufacturing businesses but not necessarily to tourism-related businesses.

Distribution of Sales Tax Collections

Chapter 212, F.S., governs taxes on sales, use, and other transactions. Section 212.20, F.S., governs the distribution of some of those funds collected by the Department of Revenue (DOR). Several provisions within s. 212.20, F.S., provide economic assistance to certain economic sectors. For example, facilities designated as new professional sports franchises or facilities for a retained professional sports franchise receive funding distributions from DOR after certification by OTTED.⁵ OTTED grants or denies certification using criteria set out in s. 288.1162, F.S. Other examples include the Professional Golf Hall of Fame facility,⁶ certified under s. 288.1168, F.S., and the International Game Fish Association World Center facility,⁷ certified under s. 288.1169, F.S. Recipients receive a fixed monthly distribution of sales tax revenues set by statute for a fixed number of years:

- Facility for a new/retained professional sports franchise: \$166,667 monthly for no more than 30 years;
- Facility for a retained spring training franchise: up to \$41,667 monthly for not more than 30 years, but not more than \$208,335 may be distributed monthly in the aggregate to all such facilities;
- Professional Golf Hall of Fame: \$167,667 monthly for up to 300 months; and
- International Game Fish Association World Center facility: \$83,333 monthly for up to 168 months.

The criteria used by OTTED for certification include items such as the relationship with and support of a local unit of government, projections for paid attendance, and demonstration of the financial capability to provide more than one-half of the costs incurred or related to the improvement or development of the facility. Other requirements generally include reviews, recertification, sanctions, audits, and a prohibition of additional certifications for the same facility.

Technology Business Promotion

Enterprise Florida is required to create programs for the attraction, development, and retention of information technology businesses to the state.⁸ Regarding the marketing of the state for information technology businesses, s. 288.911(2), F.S., provides that “[e]fforts to promote this state as a high-technology business leader must include identification and coordination of existing business technology resources, partnerships with economic development organizations and private sector businesses, continued retention and growth of businesses based in this state

⁴ *Id.* at (2)(a).

⁵ Section 212.20(6)(d)7.b., F.S.

⁶ Section 212.20(6)(d)7.c., F.S.

⁷ Section 212.20(6)(d)7.d., F.S.

⁸ Section 288.911, F.S.

that produce high-technology products or use high-technology skills for manufacturing, and recruitment of new business in such area.”

Convention Centers

At this time, there are eight convention centers in the state that contain at least 75,000 square feet of exhibit space:

- Orange County Convention Center (2,053,820 sq. ft.);
- Miami Beach Convention Center (502,848 sq. ft.);
- Tampa Convention Center (200,000 sq. ft.);
- Broward County Convention Center (199,526 sq. ft.);
- Coconut Grove Convention Center (150,000 sq. ft.);
- Palm Beach County Convention Center (100,000 sq. ft.);
- Lakeland Center (100,000 sq. ft.); and
- Prime F. Osborn III Convention Center (78,500 sq. ft.).⁹

III. Effect of Proposed Changes:

Section 1 of the committee substitute amends s. 212.20(6)(d)7., F.S., to require the Department of Revenue (DOR) to distribute monthly, to qualified local governments, 50 percent of the proceeds of the sales tax collections generated by the use and operations of eligible convention centers and reported on the convention center’s sales and use tax return. The eligible convention centers must be certified pursuant to new s. 288.1171, F.S. The proceeds eligible for rebate from the applicable sales taxes must come from the following convention center standard services provided by center staff: parking; admission; ticket sales; food services; electrical or like services; space rentals; equipment rentals; and security services. Distributions may not exceed \$2 million per state fiscal year for each eligible local government and total distributions to all units of local governments may not exceed \$10 million each state fiscal year. The distributions are limited to the taxes collected and remitted under ch. 212, F.S. Such distributions are required to begin 60 days following certification and may not continue for longer than 30 years. Distributions may only be used to encourage and provide economic development for the attraction, recruitment, and retention of corporate headquarters and of high-technology, manufacturing, research and development, entertainment, and tourism industries as designated by the unit of local government by resolution of its governing body.

Section 2 of the committee substitute creates s. 288.1171, F.S., which states that the Office of Tourism, Trade, and Economic Development (OTTED) shall adopt rules to screen applicants and certify those meeting the criteria as an “eligible convention center.” The criteria for eligibility for each center include that:

- it must be owned by a unit of local government,
- it must contain more than 75,000 square feet of exhibit space,

⁹ Office of Economic and Demographic Research, Revenue Impact Conference, March 1, 2004, analysis of amendment to HB 61 (Convention Centers), *available at* http://www.state.fl.us/edr/conferences/revenueimpact/Impact_pdf/2004/page98-100.pdf (last visited March 5, 2004).

- its application for funding must be certified by resolution as serving a public purpose, and
- it must be located in a county levying a local option tourist development tax under s. 125.0104, F.S.

Previously certified applicants are not eligible for additional certifications.

Funds distributed to a local government are required to be used for the economic development purposes set forth above as designated in a resolution adopted by the governing body of the local government. DOR may conduct an audit to verify the expenditure of the distributions and may pursue recovery of funds if the funds are not expended in accordance with the committee substitute’s requirements. Failure to use the funds as provided in the committee substitute is grounds for revoking certification.

Section 3 provides that the committee substitute takes effect July 1, 2004.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

On March 1, 2004, the Revenue Impact Conference determined that, for the 2004-2005 fiscal year, this legislation would have a negative cash impact on state revenues of \$1.7 million and a recurring negative impact of \$2.7 million. For the 2004-2005 fiscal year, this legislation would have a negative cash impact on local revenues of \$0.3 million and a recurring negative impact of \$0.6 million.¹⁰

Issue/Fund	<u>Fiscal Year 2004-2005</u>							
	General Revenue		Trust		Local		(* = insignificant) Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
CS/SB 518	\$ (1.7)	\$ (2.7)	(*)	(*)	\$ (0.3)	\$ (0.6)	\$ (2.0)	\$ (3.3)

¹⁰ Office of Economic and Demographic Research, Revenue Impact Conference, March 1, 2004, analysis of HB 61 Amendment (Convention Centers), available at http://www.state.fl.us/edr/conferences/revenueimpact/Impact_pdf/2004/page98-100.pdf (last visited March 9, 2004).

B. Private Sector Impact:

Additional corporate headquarters and high-technology, manufacturing, research and development, entertainment, and tourism industries may be brought to or retained in communities with eligible convention centers.

C. Government Sector Impact:

The Office of Tourism, Trade and Economic Development estimates the nonrecurring cost for staff time to promulgate rules and develop applications will be \$9,500 for fiscal year 2004-2005. Recurring costs for staff time for application distribution, application review, facility certification, and notification of the Department of Revenue are estimated to be \$2,500.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:**#1 by Comprehensive Planning**

This amendment increases the monthly distribution limit, from \$208,335 to \$416,667, for certified retained spring training franchise facilities.

#2 by Comprehensive Planning

This amendment requires OTTED, beginning July 1, 2004, to annually evaluate additional applications for funding of facilities for retained spring training franchises, certifying up to 5 proposals for funding not to exceed \$208,335 per month. Evaluation criteria is specified.